

**Foster Township  
Ogemaw County, Michigan**

**Financial Report  
With Supplemental Information  
March 31, 2008**

Foster Township

Table of Contents

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3-8
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Fiduciary Funds:	
Statement of Net Assets	14
Notes to Financial Statements	15-22
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Budgetary Comparison Schedule - General Fund	23
Budgetary Comparison Schedule - Fire Fund	24
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
Nonmajor Governmental Funds:	
Combining Balance Sheet	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	26



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## INDEPENDENT AUDITOR'S REPORT

Township Board  
Foster Township  
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Foster Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Foster Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund balance information of Foster Township as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 23 through 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Foster Township's basic financial statements. The accompanying pages of other supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.  
August 31, 2008

## Management's Discussion and Analysis

As management of Foster Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$444,914 (*net assets*). Unrestricted net assets for the governmental activities were \$264,984. This amount represents the part of net assets that is available to finance day-to-day operations of the Township.
- The Township's total net assets increased by \$13,487.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$264,984, an increase of \$37,971 in comparison with the prior year. The General Fund balance is \$207,305 at March 31, 2008, 78% of the total fund balances. The fund balance in the Fire Fund is \$41,727. The fund balance in other non-major governmental funds total \$15,952.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$207,305 or 100% percent of total general fund expenditures. The Board has designated \$21,871 of fund balance for specific purposes.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest payable).

Both of the government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and culture. The Township has no business-type activities as of and for the year ended March 31, 2008.

The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund and Fire Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Tax Collection fund is the only fiduciary fund. There are no assets or liabilities in the Tax Collection Fund at March 31, 2008.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-22 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$444,914 at the close of the most recent fiscal year.

A portion of the Township's net assets (40%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Township's Net Assets

	<b>Governmental Activities</b>	
	<b>3/31/08</b>	<b>3/31/07</b>
Current and Other Assets	\$ 274,917	\$ 233,901
Capital Assets, Net	248,883	284,772
Total Assets	\$ 523,800	\$ 518,673
Current Liabilities	\$ 13,652	\$ 11,223
Non Current Liabilities		
Due Within One Year	11,479	10,789
Due in More Than One Year	53,755	65,234
Total Liabilities	78,886	87,246
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 179,930	\$ 204,414
Unrestricted	264,984	227,013
<b>Total Net Assets</b>	<b>\$ 444,914</b>	<b>\$ 431,427</b>

The Township's net assets increased by \$13,487 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$37,971 or 17%, during the fiscal year ended March 31, 2008.

## Township's Changes in Net Assets

	<b>Governmental Activities</b>	
	<u><b>3/31/08</b></u>	<u><b>3/31/07</b></u>
<b>Revenue:</b>		
Program Revenue:		
Charges for services	\$ 21,620	\$ 31,829
Operating Grants and Contributions	698	498
General Revenue:		
Property Taxes	109,857	107,086
State-Shared Revenues	59,877	58,103
Interest Earnings	4,523	4,396
Other	<u>6,949</u>	<u>5,191</u>
<b>Total Revenue</b>	<b>\$ 203,524</b>	<b>\$ 207,103</b>
<b>Expenses:</b>		
General Government	\$ 86,252	\$ 91,745
Public Safety	49,695	55,657
Public Works	38,814	38,428
Recreation and Culture	11,024	10,211
Interest	<u>4,252</u>	<u>4,939</u>
<b>Total Expenses</b>	<b>\$ 190,037</b>	<b>\$ 200,980</b>
<b>Increase in Net Assets</b>	<b>13,487</b>	<b>6,123</b>
<b>Net Assets, Beginning of Year</b>	<u><b>431,427</b></u>	<u><b>425,304</b></u>
<b>Net Assets, End of Year</b>	<b>\$ <u>444,914</u></b>	<b>\$ <u>431,427</u></b>

**Governmental activities.** The Township's total governmental revenues decreased by \$3,579 from last fiscal year. Fire Fund revenues from charges for services decreased approximately \$8,000 compared to the prior year. Expenses decreased by \$10,943 compared to the previous year. General government operating expenses decreased by approximately \$5,500 and Fire Fund operating expenses decreased by approximately \$6,000.



## Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$264,984, an increase of \$37,971 in comparison with the prior year. The General Fund portion of the fund balance is \$207,305, which is available for spending at the Township's discretion. The remainder of the fund balance consists of Fire Fund of \$41,727, Road Fund of \$5,346 and Parks & Recreation Fund of \$10,606.

The general fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$207,305. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The entire General Fund balance is unreserved and represents approximately 162% of total general fund expenditures.

The fund balance of the General Fund increased by \$26,894 during the current fiscal year.

The fund balance of the Fire Fund increased by \$10,123 during the current fiscal year.

The fund balance of the non-major funds decreased by \$954 during the current fiscal year.

### General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted funds are the General Fund and Fire Fund. The General Fund budget amendments were made in accordance with statutory authority during the year.

### Capital Asset and Debt Administration

**Capital assets.** The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounted to \$248,883 (net of accumulated depreciation). Investment in capital assets includes land, infrastructure, vehicles and equipment. Additions for the fiscal year totaled \$1,051.

#### Township's Capital Assets (net of depreciation)

Land	\$	39,019
Land improvements		3,370
Buildings and improvements		107,215
Furniture and Equipment		<u>99,279</u>
<b>Total</b>	<b>\$</b>	<b><u>248,883</u></b>

Additional information on the Township's capital assets can be found in note 5 on pages 20-21 of this report.

## **Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2008-2009 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2007-2008, the Township received \$56,137 in state shared revenue, representing 33% of the revenues in the General Fund. The Township received \$41,804 in swamp taxes. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will be revised as needed.

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Foster Township  
Clerk's Office  
1968 Clear Lake Road  
West Branch, MI 48661

Foster Township  
Statement of Net Assets  
March 31, 2008

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash (Note 3)	\$ 259,071
Due from governmental units	15,846
Capital assets-net (Note 5)	<u>248,883</u>
Total assets	<u>523,800</u>
 <b>Liabilities</b>	
Accounts payable	8,751
Accrued and other liabilities	4,901
Noncurrent liabilities (Note 7):	
Due within one year	11,479
Due in more than one year	<u>53,755</u>
Total liabilities	<u>78,886</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	179,930
Unrestricted	<u>264,984</u>
Total net assets	\$ <u><u>444,914</u></u>

See accompanying notes

Foster Township  
Statement of Activities  
Year ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants	Activities
				Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General government	\$ 86,252	\$ 1,800	\$ 568	\$ (83,884)
Public safety	49,695	17,620	130	(31,945)
Public works	38,814	2,200	-	(36,614)
Recreation and culture	11,024	-	-	(11,024)
Interest on long term debt	4,252	-	-	(4,252)
Total governmental activities	\$ <u>190,037</u>	\$ <u>21,620</u>	\$ <u>698</u>	\$ <u>(167,719)</u>
General Revenues:				
Property taxes				109,857
State revenues				59,877
Interest and investment earnings				4,523
Other				<u>6,949</u>
Total general revenues				<u>181,206</u>
Change in Net Assets				13,487
Net assets - beginning of year				<u>431,427</u>
Net assets - end of year				\$ <u>444,914</u>

See accompanying notes

Foster Township  
Governmental Funds  
Balance Sheet  
March 31, 2008

	General Fund	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 201,100	\$ 42,019	\$ 15,952	\$ 259,071
Due from other funds	542	-	-	542
Due From other governmental units	13,840	2,006	-	15,846
Total assets	<u>\$ 215,482</u>	<u>\$ 44,025</u>	<u>\$ 15,952</u>	<u>\$ 275,459</u>
<b>Liabilities</b>				
Accounts payable	\$ 6,995	\$ 1,756	\$ -	\$ 8,751
Accrued and other liabilities	1,182	-	-	1,182
Due to other funds	-	542	-	542
Total liabilities	<u>8,177</u>	<u>2,298</u>	<u>-</u>	<u>10,475</u>
<b>Fund balances</b>				
Unreserved:				
General Fund	185,434	-	-	185,434
Special Revenue Funds	-	41,727	15,952	57,679
Designated	21,871	-	-	21,871
Total fund balances	<u>207,305</u>	<u>41,727</u>	<u>15,952</u>	<u>264,984</u>
Total liabilities and fund balances	<u>\$ 215,482</u>	<u>\$ 44,025</u>	<u>\$ 15,952</u>	<u>\$ 275,459</u>
 <b>Fund Balances - Total Governmental Funds</b>				<b>\$ 264,984</b>
Elimination of due to and due from governmental funds				
Due to				
Due from				
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.				
The cost of capital assets is			\$ 664,282	
Accumulated depreciation is			<u>(415,399)</u>	
				248,883
Long term liabilities are not due and payable in the current period and are not reported in the fund				
Installment purchase				(65,234)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund until paid				(3,719)
 <b>Net Assets of Governmental Activities</b>				<b>\$ <u>444,914</u></b>

See accompanying notes

Foster Township  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended March 31, 2008

	General Fund	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes and penalties	\$ 89,298	\$ 20,559	\$ -	\$ 109,857
Federal grants	568	130	-	698
State grants	56,137	1,500	2,240	59,877
Charges for services	19,421	2,200	-	21,621
Interest and rentals	3,920	268	335	4,523
Sale of assets	-	1,000	-	1,000
Reimbursements	5,459	21	-	5,480
Other	122	-	346	468
Total revenues	<u>174,925</u>	<u>25,678</u>	<u>2,921</u>	<u>203,524</u>
<b>Expenditures</b>				
Current:				
General government	81,249	-	-	81,249
Public safety	-	19,898	-	19,898
Public works	38,814	-	-	38,814
Recreation and culture	7,968	-	916	8,884
Capital outlay	-	-	1,051	1,051
Debt service:				
Principal retirement	-	10,789	-	10,789
Interest	-	4,868	-	4,868
Total expenditures	<u>128,031</u>	<u>35,555</u>	<u>1,967</u>	<u>165,553</u>
<b>Excess of Revenue Over (under)</b>				
<b>Expenditures</b>	46,894	(9,877)	954	37,971
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 6)		20,000	-	20,000
Transfers out (Note 6)	(20,000)	-	-	(20,000)
Total other financing sources (uses)	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	26,894	10,123	954	37,971
<b>Fund balances - Beginning of year</b>	<u>180,411</u>	<u>31,604</u>	<u>14,998</u>	<u>227,013</u>
<b>Fund balances - End of year</b>	<u>\$ 207,305</u>	<u>\$ 41,727</u>	<u>\$ 15,952</u>	<u>\$ 264,984</u>

See accompanying notes

Foster Township  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
Year ended March 31, 2008

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	37,971
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;  
in the statement of activities these costs are allocated  
over their estimated useful lives as depreciation.

Depreciation expense	\$	(35,439)	
Capital Outlay		<u>1,051</u>	
			(34,388)

Accrued interest is recorded in the statement of activities when incurred, it is not reported in governmental funds until paid	616
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In the statement of activities, only the gain on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment sold.	(1,501)
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Repayments of installment purchases principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>10,789</u>
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<b>Change in Net Assets of Governmental Activities</b>	\$	<u><u>13,487</u></u>
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See accompanying notes

Foster Township  
Fiduciary Funds  
Statement of Net Assets  
March 31, 2008

		Agency Funds - Tax Fund	
<b>Assets</b>			
Cash		\$	-
	Total assets	\$	<u><u>0</u></u>
<b>Liabilities</b>			
Due to other funds		\$	-
Due to other governments			-
	Total liabilities	\$	<u><u>0</u></u>

See accompanying notes



Foster Township  
Notes to Financial Statements  
March 31, 2008

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Foster Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

**Reporting Entity**

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

**Government-wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Foster Township  
Notes to Financial Statements  
March 31, 2008

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund is used to record property tax revenue, interest earnings and other revenue restricted for fire protection purposes.

Additionally, the Township reports the following funds:

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Foster Township  
Notes to Financial Statements  
March 31, 2008

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, and Net Assets or Equity**

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2007 taxable value of the Township was \$42,031,026. The 2007 tax levy was 0.8158 mills for general operating purposes and .4909 for the Fire Fund, raising \$34,171 for general operating purposes and \$20,559 for fire protection purposes.

Inventories and Prepaid items - Inventories are not significant amounts at year end. Inventory is recorded as expenditures when purchased. Payments to vendors reflecting costs applicable to future fiscal years are recorded as prepaid items in both government wide and fund financial statements, if applicable.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20- years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Foster Township  
Notes to Financial Statements  
March 31, 2008

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

The fund financial statements focus on major funds rather than fund types.

**Note 2 - Stewardship, Compliance and Accountability**

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. During the year, the budgets were amended in a legally permissible manner.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Foster Township  
Notes to Financial Statements  
March 31, 2008

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
<u>General Fund:</u>			
General Government	\$ 79,827	\$ 81,249	\$ 1,422
 <u>Fire Fund:</u>			
Debt service	15,656	15,657	1

**Note 3 - Deposits and Investments**

At year-end the Township's deposits and investments were reported in the basic financial statements in the following categories:

Government-wide Financial Statement Captions:	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 259,071	\$ -	\$ 259,071
Total	<u>\$ 259,071</u>	<u>\$ 0</u>	<u>\$ 259,071</u>

The Township deposits at March 31, 2008 were:

Deposits (checking, savings and certificates of deposit)	\$ 259,071
	<u>\$ 259,071</u>

**Interest rate**

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

**Credit risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Township has no investments for which ratings are required.

Foster Township  
Notes to Financial Statements  
March 31, 2008

**Note 3 - Deposits and Investments (Continued)**

**Custodial credit risk - deposits**

In the case of deposits, there is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for deposit custodial risk. At March 31, 2008, \$31,268 of the Township's bank balances of \$259,373 was exposed to custodial credit risk because it was uninsured.

The Township is authorized to designate depositories for Township funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township's deposits are in accordance with statutory authority.

**Note 4 - Receivables**

There are no accounts receivable as of year-end for the Township's individual major funds.

**Note 5 - Capital Assets**

Capital assets activity of the Township's Governmental activities were as follows:

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Capital assets not being depreciated:				
Land	\$ 39,019	\$ -	\$ -	\$ 39,019
Capital assets being depreciated:				
Land improvements	11,364	1,051	-	12,415
Buildings	155,906	-	-	155,906
Furniture & equipment	464,108	-	7,166	456,942
Subtotal	<u>670,397</u>	<u>1,051</u>	<u>7,166</u>	<u>664,282</u>
Accumulated Depreciation				
Land improvements	8,482	563	-	9,045
Buildings	44,760	3,931	-	48,691
Furniture & equipment	332,383	30,945	5,665	357,663
Subtotal	<u>385,625</u>	<u>35,439</u>	<u>5,665</u>	<u>415,399</u>
Net capital assets being depreciated	<u>284,772</u>	<u>(34,388)</u>	<u>1,501</u>	<u>248,883</u>
Governmental Activities Total Capital Assets net of Depreciation	<u>\$ 284,772</u>	<u>\$ (34,388)</u>	<u>\$ 1,501</u>	<u>\$ 248,883</u>

Foster Township  
Notes to Financial Statements  
March 31, 2008

**Note 5 - Capital Assets (Continued)**

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 5,003
Public safety	28,296
Recreation and culture	2,140
Total governmental activities	<u>\$ 35,439</u>

**Note 6 - Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		Amount
General Fund	\$ 542	General Fund	\$ -	
Fire Fund	-	Fire Fund	542	
Total	<u>\$ 542</u>	Total	<u>\$ 542</u>	
<u>Transfer In</u>		<u>Transfer Out</u>		
Fire Fund	\$ 20,000	General Fund	\$ 20,000	
	-		-	
Total	<u>\$ 20,000</u>	Total	<u>\$ 20,000</u>	

**Note 7 - Long-term Debt**

The individual fund long-term debt of Foster Township, and the changes therein, may be summarized as follows:

**Fire truck installment purchase agreement**

Interest rate - 5.96% per annum

Annual payments of \$15,656 payable to Kansas State Bank, beginning April 1, 2001  
Payable in full on April 1, 2012.

Beginning balance April 1, 2007	\$ 76,023
Additions	-
Reductions	<u>(10,789)</u>
Ending balance March 31, 2008	<u>\$ 65,234</u>
Due Within One Year	<u>\$ 11,479</u>

Foster Township  
Notes to Financial Statements  
March 31, 2008

**Note 7 - Long-term Debt (Continued)**

**INSTALLMENT PURCHASE**

Annual debt service requirements to maturity for the Installment purchases are as follows:

Year Ended March 31,	Governmental Activities		
	Principal	Interest	Total
2009	11,479	4,177	15,656
2010	12,214	3,442	15,656
2011	12,997	2,660	15,657
2012	13,829	1,828	15,657
2013	14,715	942	15,657
Total	\$ 65,234	\$ 13,049	\$ 78,283

**Note 8 - Risk Management**

Foster Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

**Note 9 - Designated Fund Balance**

The Township Board has designated \$16,818 in the General Fund for maintenance expenditures and \$5,053 in the General Fund for Cemetery expenditures.



## **Required Supplemental Information**

Foster Township  
 Budgetary Comparison Schedule - General Fund  
 Year ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	<u>\$ 163,515</u>	<u>\$ 163,515</u>	<u>\$ 180,411</u>	<u>\$ 16,896</u>
<b>Resources (Inflows)</b>				
Taxes and fees	89,582	89,582	89,298	(284)
Federal grants	340	340	568	228
State grants	54,000	54,000	56,137	2,137
Charges for services	20,000	20,350	19,421	(929)
Interest and rentals	3,705	3,824	3,920	96
Reimbursements	800	1,351	5,459	4,108
Other	1,000	1,000	122	(878)
Transfers from other funds	6,000	6,000	-	(6,000)
Amounts available for appropriation	<u>175,427</u>	<u>176,447</u>	<u>174,925</u>	<u>(1,522)</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	81,234	79,827	81,249	(1,422)
Public works	39,928	42,973	38,814	4,159
Recreation and culture	8,151	8,420	7,968	452
Capital outlay	-	-	-	-
Transfers to other funds	22,000	22,000	20,000	2,000
Total charges to appropriations	<u>151,313</u>	<u>153,220</u>	<u>148,031</u>	<u>5,189</u>
<b>Fund Balance - end of year</b>	<u>\$ 187,629</u>	<u>\$ 186,742</u>	<u>\$ 207,305</u>	<u>\$ 20,563</u>

Foster Township  
 Budgetary Comparison Schedule - Fire Fund  
 Year ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance</b> - Beginning of year	\$ 14,462	\$ 14,462	\$ 31,604	\$ 17,142
<b>Resources (Inflows)</b>				
Taxes and fees	18,125	18,125	20,559	2,434
Federal Grants	-	-	130	130
State Grants	-	2,000	1,500	(500)
Charges for services	850	850	2,200	1,350
Interest and rentals	169	169	268	99
Sale of assets	-	-	1,000	1,000
Reimbursements	500	1,000	21	(979)
Transfer from other funds	22,000	22,000	20,000	(2,000)
Amounts available for appropriation	<u>41,644</u>	<u>44,144</u>	<u>45,678</u>	<u>1,534</u>
<b>Charges to Appropriations (Outflows)</b>				
Public safety	21,525	22,129	19,898	2,231
Capital outlay	-	-	-	-
Debt service	15,656	15,656	15,657	(1)
Transfers to other funds	3,500	3,500	-	3,500
Total charges to appropriations	<u>40,681</u>	<u>41,285</u>	<u>35,555</u>	<u>5,730</u>
<b>Fund Balance</b> - end of year	\$ <u>15,425</u>	\$ <u>17,321</u>	\$ <u>41,727</u>	\$ <u>24,406</u>

## **Other Supplemental Information**

Foster Township  
Nonmajor Governmental Funds  
Combining Balance Sheet  
March 31, 2008

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Road Fund</u>	<u>Parks &amp; Recreation</u>	
<b>Assets</b>			
Cash and investments	\$ <u>5,346</u>	\$ <u>10,606</u>	\$ <u>15,952</u>
Total assets	\$ <u><u>5,346</u></u>	\$ <u><u>10,606</u></u>	\$ <u><u>15,952</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
Unreserved	<u>5,346</u>	<u>10,606</u>	<u>15,952</u>
Total fund balance	<u>5,346</u>	<u>10,606</u>	<u>15,952</u>
Total liabilities and fund balances	\$ <u><u>5,346</u></u>	\$ <u><u>10,606</u></u>	\$ <u><u>15,952</u></u>

Foster Township  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Year ended March 31, 2008

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Road Fund	Parks & Recreation	
<b>Revenue</b>			
State grants	\$ 2,240	\$ -	\$ 2,240
Interest and rentals	33	302	335
Other	-	346	346
Total revenue	2,273	648	2,921
<b>Expenditures</b>			
Recreation and culture	-	916	916
Capital outlay		1,051	1,051
Total expenditures	-	1,967	1,967
<b>Excess of Revenue Over (Under) Expenditures</b>	2,273	(1,319)	954
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)		-	-
Total other financing sources (uses)	-	-	0
<b>Net Change in Fund Balances</b>	2,273	(1,319)	954
<b>Fund Balances - Beginning of year</b>	3,073	11,925	14,998
<b>Fund Balances - End of year</b>	\$ 5,346	\$ 10,606	\$ 15,952



# ROBERTSON & CARPENTER CPAs, P.C.

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Phone (989) 685-2411 • Fax (989) 685-2412

*Other office: Mio, Michigan*

Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

August 31, 2008

Township Board  
Foster Township  
Ogemaw County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Foster Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Foster Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiency to be a significant deficiency in internal control.

## **Lack of adequate controls to produce full-disclosure GAAP basis financial statements.**

*Requirement:* All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements

in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

*Condition:* The Township, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

*Cause:* This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

*Effect:* The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

*View of responsible officials:* The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management, the Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants  
Rose City, Michigan





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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

August 31, 2008

To the Township Board  
Foster Township  
Ogemaw County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Foster Township for the year ended March 31, 2008, and have issued our report thereon dated August 31, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 1, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 17, 2008.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Foster Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation expense is based on estimated useful lives of the fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 31, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of Foster Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Robertson & Carpenter CPAs, PC  
Certified Public Accountants